

Message Text

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ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 EB-08 COME-00 TRSE-00 AID-05

DODE-00 CIAE-00 INR-10 NSAE-00 /038 W

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 6585

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E.O. 11652: N/A

TAGS: EAID, EINV, EWWT, NU

SUBJECT: GON DESIRES EXIMBANK FINANCING OF THIRD PHASE OF
INTRACOASTAL CANAL

REF: MANAGUA 2018

1. ING. REMY RENER, VICE MINISTER FOR ATLANTIC COAST
DEVELOPMENT HAS ASKED EMBASSY TO RECOMMEND THAT EXIMBANK
FINANCE THE THIRD PHASE OF NICARAGUA'S INTRACOASTAL CANAL.
EXIMBANK HAS ALREADY FINANCED PHASES ONE AND TWO OF THAT
PROJECT WHICH IS DESIGNED TO OPEN UP FOR ECONOMIC DEVELOPMENT
MUCH OF THE NATION'S CARIBBEAN SEABOARD.

2. RENER SAID THAT THE AMERICAN EXPRESS COMPANY (AMEXCO)
HAD ALREADY ARRANGED FINANCING OF THE THIRD PHASE WITH
EXIMBANK LAST JANUARY. HOWEVER, OWING TO THE OUTBREAK
OF DISTURBANCES IN NICARAGUA AT THAT TIME, EXIMBANK DECLINED
TO APPROVE THE DEAL AND TOLD AMEXCO TO CONSIDER RESUBMITTING
ITS PROPOSAL IN ABOUT SIX MONTHS, RENER CONTINUED.

3. RENER ALSO COMMENTED THAT AMEXCO, MELLON BANK, AND
OTHER (UNSPECIFIED) BANKS WERE OFFERING A "HARD-TERM" \$10
MILLION LOAN TO THE GON FOR PHASE III, WITH A 5 AND
1/2 YEAR REPAYMENT PERIOD. HE OPINED THAT EXIMBANK
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PARTICIPATION IN PHASE III WOULD MAKE THE FINANCING TERMS
LESS ONEROUS. (AN AMERICAN SOURCE HAD EARLIER TOLD EMBOFF
THAT UNSPECIFIED EUROPEAN INTERESTS WERE OFFERING TO
FINANCE THE THIRD PHASE ON "SOFT" TERMS).

4. PHASE III OF THE PROJECT WOULD EXTEND THE CANAL FROM
THE RIO GRANDE DE MATAGALPA TO THE RIO PRINZAPOLKAJN A

DISTANCE OF 96 KILOMETERS. PHASE IV WOULD EXTEND IT 98 KILOMETERS FURTHER, TO PUERTO CABEZAS, OPENING UP VAST, SPARSELY POPULATED LANDS TO AGRICULTURE AND FOREST PRODUCTS INDUSTRY.

5. IT SHOULD BE NOTED THAT LIMBERIOUS VALLIANOS, CHIEF OF COASTAL ENGINEERING STUDIES, U.S. ARMY CORPS OF ENGINEERS, WILMINGTON DISTRICT, VISITED NICARAGUA TWO YEARS AGO AT THE REQUEST OF THE GON TO APPRAISE THE SITUATION POTENTIAL OF THIS CANAL AND ITS OCEAN ENTRANCE ON LAGUNA DE PERLAS. THAT MAY 6, 1976 REPORT, WHICH RAISES CERTAIN TECHNICAL AND OTHER PROBLEMS RELATED TO THE CANAL, MAY BE OF INTEREST TO EXIMBANK IN DECIDING WHETHER TO HELP FINANCE PHASE III.

6. COMMENT: THE EMBASSY WAS NOT AWARE THAT EXIMBANK HAD BEEN ACTIVELY CONSIDERING THIS LOAN LAST JANUARY. EMBASSY, WHICH TAKES NO STRONG POSITION ON THIS REQUEST, WOULD WELCOME EXIMBANK'S VIEWS ON THIS MATTER.
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